



Michigan Association of Home Builders

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November 8, 2007

Testimony on the Michigan Business Tax Surcharge

Good Morning Mr. Chair and Members of the House Tax Policy Committee. I am Dawn Crandall, with the Michigan Association of Home Builders. Thank you for allowing me to testify on the issue of a surcharge to the Michigan Business Tax as a replacement for repealing the tax on services.

Yesterday I sent an update to our membership on the tax on services, and possible solutions to replacing the revenue. The four choices mentioned in the update were:

Reforms and Cuts

Increase the Sales Tax – but not expand it to anything currently not being taxed

Increase the Income Tax from the current rate to 4.8%

A Surcharge on the Michigan Business Tax

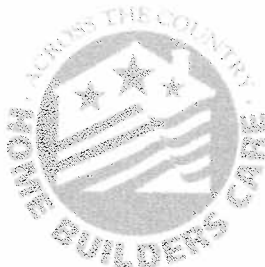
I have been receiving constant emails from about 10 minutes after the update went out, until, well, they are still coming in this morning.

As this is testimony on a Surcharge to the MBT, I will hold back comments I received on the other three options. On the topic of the surcharge, I would like to read an email I received from a member from the west side of the state. He is not a builder, but a small manufacturing company that employs 60 people. He is an insulation supplier to the construction industry.

I believe Representative Bieda you have received the following email, but I would like to take a moment to read it.

As a small manufacturer in Michigan (60 employees), I encourage you to closely scrutinize replacing the Service Tax with a Surcharge on the MBT. Although I am very much in favor of repealing the Service Tax, which will hurt my business and many others, I am not convinced the proposed MBT Surcharge will be any better – in fact, it may be worse.

Our CPA firm estimates our Modified Gross Receipts Tax, before credits, will be approximately \$54,000 at current sales levels. A 25% Surcharge on that amount would mean an additional \$13,500 in tax. The same amount of tax under the Service Tax would require us to spend \$225,000 on services that would be required to collect the tax. While we have not completed a



Service Tax study (we don't yet know all the services that will be included in the tax), I highly doubt we spend \$225,000 on those services.

Please do not balance the State budget on the backs of small manufacturers. We will already be paying more under the MBT than under the SBT (so much for the MBT helping manufacturers – maybe the large ones, but not my company). Michigan employers cannot afford to pay more taxes.

Thanks,

Mark Henderson
President
Nu-Wool Co., Inc.
2472 Port Sheldon St.
Jenison, MI 49428

I heard from a builder/developer from southeast Michigan his tax liability will go up 77% over what he was paying under the Single Business Tax.

The Michigan Association of Home Builders urges you to take a close look at how this surcharge will affect companies who are already seeing an increase in their business tax liability under the Michigan Business Tax when it goes into effect. The home building industry has seen a dramatic downturn over the last two years, and our members simply cannot afford to have higher taxes placed on them.

One response from a member was “I don't mind paying higher taxes when my company is making money.”

Thank you for you time.